John Doer Measure What Matters

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Managing people

How VC John Doerr Sets (and Achieves) Goals

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Executive Summary

John Doerr, the venture capitalist who's funded companies including Google, Intuit, and Amazon, describes a system he calls "Objectives and Key Results," or OKR, the subject of his new book. He learned it from Intel CEO Andy Grove in the 1970s, and has taught it to hundreds of organizations since then. He views it as a significant improvement over traditional methods of setting goals. In the OKR system, the objective is what you want to have accomplished. The key results are how you're going to get it done. Doerr says this transparency helps organizations be more focused, aligned, and committed in their work.

Since joining Kleiner Perkins in 1980, venture capitalist John Doerr has helped fund Intuit, Amazon, Google, Twitter, and a host of other well-known tech companies. Many of them utilize a goal-setting system Doerr calls "OKR," for "objectives" and "key results." His new book, Measure What Matters, contains his explanation for how and why the system works, as well as case studies by leaders who've adopted it — including Bill Gates, Larry Page, and Bono. Doerr stopped by HBR to talk about his passion for setting and reaching goals. Edited excerpts of that conversation follow:

HBR: Why did you write this book?

DOERR: I came to Silicon Valley in the mid-1970s and got a job at Intel. It was a very vibrant time in the company's life. They had just invented the microchip, which became the basis of the personal computer. I got to be a student of Andy Grove, one of the the greatest managers of his, or any other, era. Andy had created this system for goal setting that was deceptively simple, but also the polar opposite of the conventional management by objectives (MBO) systems, which tend to be top down, hierarchical, annual, and linked to compensation.

When I left Intel in 1980 to help others start companies and start one of my own, I took the slide deck that he had used to teach the objectives and results system — 30 or so slides. Over the course of a few decades, I've given this presentation to 100 or so organizations, some of which adopted it, some of which did not. It had a big impact on some that did, and I wanted to share what I've learned in the process.

How does it work?

The objective is what I want to have accomplished. The key results are how I'm going to get it done. The objectives are typically longer lived. They're bold and aspirational. The key results are aggressive, but always measurable, time-bound, and limited in number.

One of the powerful things about this system is that at any level of an organization you're only going to have two or three, or maybe four or five, objectives. And three or so key results. So it requires a kind of rigor and discipline about saying, these are the most important things that are going on in an organization. It's not the sum total of tasks. It's not the work order for the enterprise. It's whatever we as a team agree deserves special attention, and it really matters. At Intel, Andy Grove had us post our personal OKRs outside our carrels, so everyone could see them.

Organizations such as Google, Intuit, and the Gates Foundation bought into it. Why do other organizations decline to do so?

For a lot of organizations, the cultural risk and vulnerability that come with transparency, and that kind of accountability, is too big of a change. And even if an organization does want to adopt it, I strongly recommend they not go overnight to get 50,000 people to do it. Most companies start with a pilot. And if the leader's not committed, don't bother. Don't even try. Stay with whatever you have.

Most of the examples in the books are startups. Have established organizations made the change successfully?

They have. I'm so passionate about this I funded a company called BetterWorks that helps companies implement it. They've worked with BMW and Schneider Electric. Very often the CEOs of those organizations want to achieve a culture change, and they know that having a tool that reinforces that through the behaviors of all the knowledge workers is really quite key. Somebody recently told me that at Whole Foods, he noticed Millennial workers checking their OKRs on their mobile phones. That makes sense, because Millennials tend to want to know how their own work figures into the big picture, and they want nearly constant feedback, but without being micromanaged. So this kind of a distributed system, where employees can set their own key results and own them and share them, is perfect.

These goals are decoupled from compensation and promotion decisions. Why?

That makes some people very uncomfortable. But if you don't, and instead you pay bonuses on the sum total of all your objectives and key results, it will inevitably lead to sandbagging while setting the goals. You won't get the risk-taking you want in the culture. Now, a sales team has to make the numbers, and they can be paid commissions on those numbers, and they'd be part of the key results. The purpose of the objectives and key results, though, can't be to determine your bonus.

A lot of companies create organization-wide objectives, but they don't translate them down into personal OKRs.

That's right — and creating that cascade is one of the powerful parts of the system. The book says that there are four superpowers. On reflection, I think there are really five benefits that you get out of this. Focus is the first, because these are limited in number. Alignment is the one you're talking about — you get everybody aligned. Commitment is third. When you've transparently set these goals, and all your colleagues see them, commitment clears that up quickly. And then the fourth superpower is tracking the progress. This is why Bill Gates uses the system at the Gates Foundation. Then the fifth superpower is stretching. Larry Page of Google is the high priest of 10x-ing everything, stretching further. He'll say, I'd rather have the objective be to go to Mars, and if we fall short, we'll get to the moon. This is how you make moonshots. Focus, alignment, commitment, tracking and stretching, I love that because it spells FACTS. And I can remember it.

When you consider funding a startup, do you factor in whether they are using the OKR system?

As a board member or an investor, I strongly urge — but don't require — people to use it.

How do OKRs differ from, or complement, an Agile system?

Agile guides your day-to-day work. OKRs don't govern your day-to-day behavior. I'd say this is more of a weekly check-in. But it's not set the goals and then stuff them away in a drawer and ignore them. People really care whether or not the CEO is watching their goals or cheering them on. If a leader wants a way to reach down into an organization, this is a great tool for doing it.

You even use OKRs in your personal life?

Yes, it can work against any agenda. I have had a set of personal objectives and key results. Most of mine have been around family. Now both daughters are off to school, but years ago I read and believed that having family dinners together was a key to having a happy family. So my key result was to get home for dinner by 6PM at least 20 nights a month, and be present, with our phones in another room. And that's pretty hard to do. I was living in the 70% threshold is a good result — that would mean 14 or 15 nights a month. That's an example of how OKRs can span any range of human activity. They're transparent vessels that describe the "what" and the "how." The values we pour into those vessels are the answers for the question, "Why?"

Editor's Note: the list of companies BetterWorks is working with has been updated. An earlier version of this article incorrectly included Anheuser-Busch as a BetterWorks client.

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